



Purchasing & Payment Manual

**In accordance with Rice's Purchasing Policy
(to conform with Policy No. 814 revised April, 2007)**

Payment Solutions
Revised December 2007

Table of Contents

| | |
|---|-----------|
| Section 1 – Introduction and Overview | 5 |
| Section 2 – Responsibilities | 5 |
| A. Individual Departments | 5 |
| B. Controller's Office | 6 |
| Payment Solutions | 6 |
| Disbursements | 7 |
| Research Accounting..... | 7 |
| Property Accounting..... | 7 |
| Current Fund Accounting | 7 |
| Cashier's Office..... | 8 |
| Section 3 – Defining Signature Authority and Responsibility | 8 |
| A. Signature Authorization Forms | 8 |
| B. Signature Authorization Review | 8 |
| C. Signature and Approval Authority for Contracts..... | 9 |
| Section 4 – Planning for Purchases | 9 |
| A. Fund Restrictions | 9 |
| B. Available Budget | 9 |
| C. Small Business, Minority and Women Vendors | 10 |
| D. Bidding Requirements | 10 |
| E. Lease vs. Purchase Decision Making | 11 |
| F. Hazardous Materials, Select Agents and Controlled Substances | 12 |
| G. Research Animals | 13 |
| Section 5 – Ordering Goods & Services..... | 13 |
| A. Purchases Less than \$5,000 | 14 |
| B. Purchases of \$5,000 or Greater (includes Professional Service Agreements) | 14 |
| Completing and submitting a Purchase Order..... | 15 |
| Purchase Order form fields | 16 |
| Purchase Order routing | 18 |
| Change Orders..... | 18 |
| Section 6 – Receiving Goods | 18 |
| A. Inspecting Received Goods | 18 |
| B. Damaged Goods..... | 18 |
| C. Short Deliveries | 19 |
| Section 7 – Paying for Purchases..... | 19 |
| A. Importance of Paying on Time | 19 |
| B. Payment Documents..... | 20 |
| C. Invoice Definition and Need for Original Invoices | 20 |
| D. Payment of Purchases Totaling Less than \$5,000 | 21 |

| | |
|---|-----------|
| E. Payment of Invoices for Purchases Equal to or Greater than \$5,000 | 21 |
| F. New Vendor Setup | 23 |
| G. Payments Due in Foreign Currency..... | 23 |
| H. Electronic Payments (wire transfers or ACH transactions) | 24 |
| 1. Vendors | 24 |
| 2. Employees | 24 |
| Section 8 – Paying for Non-Invoiced Expenses | 25 |
| A. Petty Cash | 25 |
| B. Check Request Forms | 25 |
| C. Travel Statements and Business Meeting/Entertainment Expense Forms | 26 |
| Section 9 – Payments to Faculty, Staff and Students | 26 |
| A. Reimbursement for “Out of Pocket” Expenses (not related to Travel, Business Meetings or Entertainment) | 26 |
| Petty Cash..... | 26 |
| Check Request Form | 27 |
| B. Reimbursement for Mileage Expenses | 27 |
| C. Reimbursement for Relocation Expenses..... | 28 |
| D. Payment of Prizes, Awards or Scholarships to Students | 29 |
| E. Payment for Services Rendered | 29 |
| 1. Employees | 29 |
| 2. Individual Students..... | 29 |
| 3. Student Groups..... | 30 |
| Section 10 – Post Payment Issues..... | 30 |
| A. Stop Payment | 30 |
| B. Voiding a Check..... | 31 |
| C. Vendor Refunds/Credit Memos | 31 |
| D. Change in Original Transaction Coding (Fund/Org/Account)..... | 32 |
| Section 11 – Sponsored Agreement Procurement Procedures/Restrictions..... | 32 |
| A. Allowable Under Certain Conditions | 33 |
| B. Unallowable Costs | 34 |
| Section 12 – Property Accounting Acquisitions..... | 36 |
| Section 13 – Special Purchasing/Billing Arrangements | 37 |
| A. Internal Purchasing/Billing Arrangements | 37 |
| 1. Cohen House/Faculty Club (ext. 4000) | 37 |
| 2. Mailroom/Delivery Services Expenses (ext. 2538)..... | 37 |
| 3. Other “On Campus” Billings | 37 |
| B. Preferred Vendor Purchasing/Billing Arrangements..... | 37 |
| 1. OfficeMax_Solutions | 38 |
| 2. Federal Express (FedEx) | 38 |

| | |
|---|-----------|
| Appendix – Helpful Web-Based Information..... | 39 |
| A. Form Availability & Routing Instructions..... | 39 |
| B. Payment Solutions Staff Contact Sheet..... | 39 |
| C. Texas Sales Tax Exemption Certificate..... | 39 |
| D. Payment Solutions Credit Information Form..... | 39 |
| E. Hotel Occupancy Tax Exemption Form..... | 39 |
| F. Chart of Accounts (listed alphabetically)..... | 39 |
| G. Chart of Accounts (listed numerically)..... | 39 |
| H. Purchasing Policy..... | 39 |
| I. Purchasing Card Manual..... | 39 |
| J. Travel Policy..... | 39 |
| K. Travel Procedures..... | 39 |
| L. Business Meeting/Entertainment Expense Policy..... | 39 |
| M. Business Meeting/Entertainment Expense Procedures..... | 39 |
| N. Foreign National Payments..... | 39 |
| O. Currency Conversion Links..... | 39 |
| P. Texas Cooperative Purchasing Program..... | 39 |

Section 1 – Introduction and Overview

This purchasing and payment procedure manual is designed to assist University purchasers with day to day purchasing and payment issues. The procedures have been established in compliance with the [University's Purchasing Policy](#) No. 814 as revised April, 2007.

The overarching principles are that any transaction, whether a purchase or a reimbursement, should be:

- (1) necessary for Rice to accomplish its mission of teaching, research and public service;
- (2) reasonable and allowable;
- (3) for the benefit of Rice, not for personal use or benefit of an individual; and
- (4) in accordance with tax laws, government regulations, and donor stipulations.

Rice operates within a decentralized purchasing environment. Individual departments are given responsibility for purchasing necessary goods and services in order to:

- Support the University's goals in the most effective manner possible.
- Procure quality goods and services at the best price and delivery terms that will meet the needs of the purchaser.
- Allow purchases and payments to be made and approved by those with direct knowledge of, and responsibility for, the transaction.
- Allow for sole source purchases where necessary.

All purchasers are responsible for ensuring that University purchasing policy and procedures as well as requirements of sponsored agreements are strictly followed in order to maintain fiscal controls which are used to prevent abuse or misuse of University funds and/or other resources.

It is impossible for these procedures to specify every possible transaction that is appropriate or every one that is inappropriate. It is the responsibility of each purchaser and each approver to make sound and reasoned judgements as to whether a transaction is in accordance with these principles.

Please contact Payment Solutions by sending an email to payment@rice.edu or by calling ext. 6700 with questions.

Section 2 – Responsibilities

Purchasing at Rice involves the effort of several different departments. Groups involved in buying and paying for goods and services at Rice are noted below with a summary of their general responsibilities for purchasing and payment of those goods and services.

A. Individual Departments

Individual departments are key to the success of the purchasing and payment process. They know which goods and services are necessary for their operations and are given the

responsibility to procure these goods and services using the most economical and prudent means possible.

Responsibilities of the individual departments include:

- Consistently following University policy and procedures.
- Providing sound stewardship for all funds within the department's control including sponsored agreement funds.
- Defining signature authority for authorized departmental signers (direct responsibility of the Department Chair/Head).
- Reviewing signature authority for authorized departmental signers.
- Identifying purchasing needs.
- Ordering products and arranging for delivery.
- Submitting proper documentation and appropriate document coding to facilitate prompt vendor payment.
- Reconciling purchasing card transactions to the monthly purchasing card statement.
- Reviewing monthly financial reports and initiating any needed corrective actions on a timely basis.
- Tagging and tracking equipment.

Note Regarding Contributions/Charitable Payments

Contributions in support of political parties, lobbying organizations or candidates for public office, or purchases of tickets to political fund raising events, are completely prohibited, as payments of this type may jeopardize the University's tax exempt status.

*In general, the University may not make contributions to outside groups or organizations, including other tax exempt organizations. **The President's Office must approve payment requests** and receipts should be sent to the Assistant Controller – Current Funds at MS70.*

For further information regarding contributions, contact the Office of the General Counsel at ext. 5237.

B. CONTROLLER'S OFFICE

Within the Controller's Office, these areas are responsible for the payment-related functions noted below:

Payment Solutions

- Processing transactions in a timely manner.
- Verifying signature authority for allowable transaction type, amount, and fund/org being charged.
- Maintaining the signature authorization database and sending signature authorization reviews to Department Chairs/Heads on a regular basis.
- Maintaining and promoting the purchasing card program.
- Maintaining and updating policies and procedures regarding purchasing issues (including travel and business meeting/entertainment expense issues).
- Providing communication and training related to the payment process.

Disbursements

- Maintaining the master vendor list.
- Verifying and adding new vendors to the master vendor list.
- Verifying check data (payee, amount, etc.) before disbursing checks.
- Filing and retrieving original payment documents.
- Reviewing relocation expense reimbursements.
- Reporting taxable and non-taxable relocation reimbursements to Payroll.
- Reviewing IRS tax form 1099 for payments made to individuals, partnerships and proprietorships.
- Issuing stop payments and voiding checks.
- Reviewing wire transfer requests prior to sending to Treasurer's Office.
- Issuing manual checks.
- Preparing and filing Texas state sales tax reports.
- Updating direct deposit information and addresses for employee expense reimbursements.
- Corresponding with vendors and departments on credit hold accounts.

Research Accounting is responsible for:

- Providing assistance to individual departments regarding allowable expenses for individual sponsored agreement funds.
- Performing reviews of expenses charged to sponsored funds.
- Re-coding expenses as needed to ensure compliance with terms and conditions of sponsored agreement awards.
- Reviewing documents such as invoices and purchase orders coded to R funds.

Property Accounting is responsible for:

- Providing assistance to individual departments with questions involving the purchase of capital assets (non-expendable items costing \$5,000 or more and with a useful life of greater than one year).
- Maintaining a database of all capital assets including equipment, buildings, renovations, land, furniture, artwork and books.
- Performing reviews of capital assets.
- Performing biennial inventories of capitalized assets.
- Providing departments with control tags for taggable capital assets.

Current Fund Accounting is responsible for:

- Processing internal sales between departments (interdepartmental transfers.)
- Processing expense transfer forms to correct prior transactions.
- Maintaining the university's "chart of accounts" – the listing of fund, organization, account, program, activity and location codes used to track revenues and expenses by category.
- Assisting departments in identifying the correct account code for use in "coding" transactions.
- Researching problems in current funds (A, D, G, and H).

- Conducting post-transaction reviews of petty cash, purchasing card, travel, and payment transactions.

Cashier's Office is responsible for:

- Providing reimbursements for petty cash transactions.
- Distributing checks for student payroll, vendor payments and employee terminations.

Section 3 – Defining Signature Authority and Responsibility

As noted in the [University's Purchasing Policy No. 814](#), it is a direct responsibility of individual Department Chairs/Heads to define and delegate approval authority for expenditure of funds,

A. Signature Authorization

Approval authority is defined and delegated through the completion of a University signature authorization form. Blank forms are available in Payment Solutions and are necessary to obtain a specimen for the signature database. The specimen must depict the signature used when approving payment documents.

Delegation of signature authority does not relieve the Department Chairs/Heads of responsibility for ensuring compliance with University payment policies and procedures. Purchases must be approved by a Rice University employee who has direct knowledge of, and responsibility for, the transaction. Purchases must not be approved unless adequate funds are available within the identified funding source.

Signature authority is defined by selecting the following for each individual signer:

- Approval Level indicates the dollar limit up to which the authorized approver may approve transactions.
- Allowable Transactions indicate which transactions the authorized approver has authority to sign and approve. The choices are Purchase Orders, Invoices, Check Requests, Travel/Entertainment/Business Meetings forms, Time Sheets, Personnel Action Forms (PAF), Time Allocation Reports, Work Orders, Receiving Over \$5,000 and Under \$5,000.
- Allowable fund/org codes indicate the funds and orgs for which an authorized approver can sign.

In addition, the Signature Authorization Form references the [University's Conflict of Interest Policy No. 838](#) and [Signature and Approval Authority for Contracts Policy No. 810](#). All authorized approvers are required to be familiar with this policy and by signing the Signature Authorization Form the individual is attesting that they reviewed the policy.

B. Signature Authorization Review

Periodically, signature authority information will be sent to all departments by Payment Solutions. This information will indicate the current signature authority for each authorized approver within the department.

The department is responsible for reviewing each authorization and indicating whether the signature authority is appropriate.

The authorized signer is responsible for reviewing the Conflict of Interest policy and indicating on the signature authorization form that this review of the policy has occurred. Signature authority may be suspended if the signature authorizations are not returned by noted deadlines.

C. Signature and Approval Authority for Contracts

The department is responsible for reviewing [Policy No. 810](#) to determine the University's contract requirements. Under certain circumstances, contracts are required and must be reviewed by the Office of General Counsel. Please refer to the policy for more details.

Section 4 – Planning for Purchases

When planning for a purchase, it is important to consider the following issues:

A. Fund Restrictions

- Certain funds have restrictions on how the monies are spent and on what goods and services may be purchased.
- If the fund is a gift fund (**GXXXXX**) there may be specific restrictions by the donor or other parties that limit what types of expenses are allowable.

Questions regarding gift funds should be addressed to the Current Fund Accounting area within the Controller's Office. Current Fund Accounting (ext. 2478) maintains files on all donor gifts. Any restrictions on spending will be noted within these files.

- If the fund is an endowment fund (**HXXXXX**) there may be specific restrictions on spending. Questions regarding spending restrictions should be directed to the Endowment Fund Accounting area (ext. 6244) within the Controller's Office.
- If the fund is established for a sponsored agreement (**RXXXXX**), there will be restrictions on how the funds are expended. It is important that principal investigators and department personnel working with sponsored agreement funds be aware of the specific grant/contract restrictions.

Any questions or concerns regarding potential expenditures on a sponsored grant or contract should be directed to either the Office of Sponsored Research (ext. 4820) or Research Accounting (ext. 5170) for final determination prior to extending a purchasing commitment.

B. Available Budget

It is necessary to identify a source of funding for all purchases prior to extending a purchasing commitment. It is the department's responsibility to determine the source of funding and ensure that funds are available prior to making a purchase.

C. Small Business, Minority and Women Vendors

The University is committed to promoting opportunities for small business, minority and women vendors to participate in the University's purchasing of goods and services.

To promote vendor participation with this subset of vendors, University purchasers should make efforts to:

- use small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable and cost effective.
- provide available information regarding forthcoming opportunities and arrange time frames for purchases and contracts to encourage and facilitate participation by small businesses, minority-owned firms, and women's business enterprises.
- consider in the contract process whether firms competing for larger contracts intend to subcontract with small businesses, minority-owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.
- use the services and assistance, as appropriate, of such organizations as the Small Business Administration, the Department of Commerce's Minority Business Development Agency, and the Houston Minority Business Council in the solicitation and utilization of small businesses, minority-owned firms and women's business enterprises.

NOTE REGARDING SPONSORED AGREEMENT FUNDS: Certain sponsored agreements stipulate specific purchasing requirements regarding small business, minority and women vendors. To discuss individual contract/grant requirements, departments should contact the Office of Sponsored Research (ext. 4820) or Research Accounting (ext. 5170).

D. Bidding Requirements

Bidding among prospective vendors for specific goods and services gives Rice the benefit of receiving the best price and delivery terms available. Purchasers are encouraged to use the bidding process whenever possible.

Documented bidding or justification for sole source purchasing is **required** for all purchases totaling \$25,000 or more *including professional services and maintenance agreements*.

Three or more documented bids are required, and copies of the bids or a summary of the bids must be attached to the original purchase order when submitted. In the case of professional service and maintenance agreement expenditures not requiring a purchase order, copies of the three documented bids or summary of the bids should be attached to the approved and coded invoice when it is submitted for payment.

In cases where only one vendor is acceptable or in cases where the lowest bidding vendor is not chosen, justification for **sole source purchasing** is required. To document sole source purchasing, a memorandum outlining the following must be attached to the original purchase order:

- (1) Description of the technical and/or performance characteristics of the goods or services.
- (2) Explanation of why these characteristics are essential.
- (3) Verification that these characteristics cannot be obtained from any other source.

The memorandum should be signed by the Department Head and Principal Investigator or the PI's designee.

NOTE REGARDING SPONSORED AGREEMENT FUNDS: Certain sponsored agreements may have additional bidding and/or sole source purchasing requirements. The Principal Investigator and department personnel should be familiar with the specific bidding requirements associated with their sponsored grants/contracts. Any questions or concerns regarding sponsored contract/grant bidding requirements should be directed to either the Office of Sponsored Research (ext. 4820) or Research Accounting (ext. 5170).

E. Lease vs. Purchase Decision Making

Equipment is generally acquired by outright purchase. Occasionally, circumstances may require the leasing of equipment to satisfy specific needs. Leases should be entered into only after serious consideration by the individual Department Chair/Head. For details regarding whether special accounting rules for capitalized leases may apply, please contact Property Accounting at ext. 3429.

A decision to enter into a lease or a lease/purchase should be made only after the individual department determines which of these methods would be the most economical and practical use of University and/or sponsored funds (determination of economic soundness).

Determination of economic soundness is the responsibility of the individual or department procuring the item and should be made after considering the following points.

- (1) Does the department have available funds for outright purchase?
 - A department must identify the source of funds prior to the purchase.
- (2) What is the useful life of a piece of equipment as determined by the:
 - Application life or how long the equipment will be used? If the period of use is relatively short, leasing may be preferred over purchase.
 - Technological life or how long it will be before the equipment is technically obsolete? When obsolescence is a factor, leasing may be advisable.
 - Physical life? If the equipment will wear out in a short period of time, leasing may be preferred.
- (3) What is the total cost of the lease compared with the total cost of purchase? This calculation must include:
 - Equipment costs
 - Maintenance costs
 - Interest costs
 - Property taxes (see below)
 - Insurance
 - Potential impact on the University's debt capacity

NOTE: Other items to consider when deciding to enter into a lease agreement are:

- **A lease is a legal contract and can be very difficult to break.** It is very important that the lease agreement be fully understood before it is signed. The Office of the General Counsel is available to review lease agreements prior to the execution of the document. In certain cases, leases *must* be reviewed by the

Office of the General Counsel before the document is signed. Please refer to the [Signature and Approval Authority for Contracts Policy No. 810](#) for details.

Note: It is recommended that leases of a significant amount or term (total purchase of \$5,000 or greater and/or term longer than 1 year) be reviewed by the Office of the General Counsel.

- **Texas Cooperative Purchasing Program** is a good source for “best price” leasing. Vendors participating in this program offer pre-negotiated purchases and leases to University purchasers.
- **Lease Terms.** In general, it is best to limit the term of the lease to the shortest period possible. In most cases, departments should limit lease terms to no more than two years.
- **Property Tax Payments.** Rice is exempt from paying this tax, but vendors who own the property (equipment) that Rice is leasing are not. It is very common for the vendors to pass the responsibility for making property tax payments on to the lessee, and it is most often written as such in the lease agreement.

The first approach is to have the vendor assume responsibility for these payments. If the vendor agrees to this, the lease agreement should reflect this arrangement.

If the vendor is unwilling to accept the tax responsibility and the department leasing the equipment is held responsible for these payments there are two keys issues to keep in mind:

- (1) Department personnel should request an estimate of the amount of taxes that will be due. It is important that the amount of taxes be included in the budgeted monies for the lease so that funds will be available when the taxes come due.
- (2) Department personnel should know when these taxes will be due. In order to avoid having a lien placed on the property, timely payment of property taxes is required. In the past, there have been situations when the taxes have come due outside the fiscal year or sponsored agreement grant period in which the lease was active. Departments must then identify another source of funds to pay the taxes. Departments may request that the appropriate portion of taxes be accrued; contact Current Fund Accounting (ext. 2478) for assistance.

F. Hazardous Materials, Select Agents and Controlled Substances

Hazardous Materials, Select Agents and Controlled Substances may only be ordered by individuals who have completed the Environmental Health and Safety training course and have the appropriate federal and state registration and approval from the Director of Environmental Health and Safety to do so.

The purchase and use of select agents and controlled substances must be authorized by the Department Chair and the University's Director of Environmental Health and Safety or Dean/VP. These purchases must also have prior written approval from the Vice Provost for Research.

Additional procedures, tracking provisions, storage requirements and disposal expense may be required. Quantities of these items purchased should not exceed the amount needed for use in the immediate future due to storage and disposal costs and restrictions of allowable materials as stated in the City of Houston's fire code.

For further information regarding the purchase of these items:

- Contact the Environmental Health and Safety Office (ext. 4444).
- Refer to the [University's Safety Policy](#) No. 805.

G. Research Animals

Research mammals may only be purchased through the Animal Resource Facility. All mammals purchased will be delivered to the facility and not to the individual investigator or laboratory. Invertebrate or cold blooded animals may be purchased directly by the investigator.

For more information contact the Animal Resource Facility (ext. 3502).

Section 5 – Ordering Goods & Services

It is best to think of purchases in two different categories:

- Purchases less than \$5,000 (below the purchase order threshold), and
- Purchases of \$5,000 or greater (equal to or greater than the purchase order threshold).

Dividing a large transaction into dollar amounts below the total PO in order to circumvent required approvals is *not* allowed.

The department is responsible for informing the vendor that Rice is exempt from paying Texas sales tax. First time vendors may request a tax exempt certificate. The [tax exempt certificate](#) is available on the Controller's Office website and the Payment Solutions website. If requested, the form should be printed from either website and sent to the vendor by the department.

Note: Vendors will not be able to access the tax exempt certificate directly. First time vendors may also require credit information before they will extend credit to the University. Payment Solutions has a [credit reference form](#) available to the departments for this purpose. It is available on the Payment Solutions website. Like the tax exempt certificate, this form is not accessible to the vendors directly. For further information on new vendor setup, see [Section 7, Item F](#).

NOTE:

The University's tax exempt status applies only to official University purchases. This exemption does not extend to personal purchases made by Rice faculty, staff or students.

A. Purchases Less than \$5,000

- Make up the majority of purchases at Rice.
- Do not require a purchase order.
- Should be paid with the purchasing card whenever possible (for details and procedures, refer to the [Purchasing Card User Manual](#) available on the Payment Solutions website).

IF THE PURCHASING CARD IS NOT ACCEPTED BY THE VENDOR:

- The department should make arrangements with the vendor for an invoice to be sent directly to the department. It is important that the official University mailing format be used for invoice delivery. The format that should be used is:

Name of Person to whom the invoice should be delivered
Department Name; MS XX
Rice University
P.O. Box 1892
Houston, TX 77251-1892

B. Purchases of \$5,000 or Greater

All purchases of \$5,000 or greater require a completed and approved University purchase order (PO) which reflects the total purchase price (i.e. if installment payments will be made, the PO amount must total all of the installment payments and equal the contract amount), unless the exception noted below applies. The PO should be executed and approved before the order is placed. If a PO covers multiple years, the payment amounts anticipated in each year may be provided as additional information on the P.O.

These purchases of \$5,000 or greater may require a written agreement or contract in addition to the PO. Please refer to [Section 3, Item C](#) and/or [Policy No. 810](#) for more information regarding approval authority requirements for contracts.

Departments are encouraged to work with the Office of the General Counsel to review written agreements and contracts prior to these legal documents being approved and signed.

The completion of a written agreement or contract is the responsibility of the individual department and the signed document should be kept on file within the department. A copy of the signed agreement should be forwarded to the Office of General Counsel for maintenance in the University's contract file. If the agreement or contract is signed by an authorized signer, the PO does not require a signature. *Variances from the PO requirements must be approved by the Vice President for Administration.*

Exception: A signed PO is not required for maintenance and professional service expenses provided that a written agreement or contract has been negotiated and approved. However, to facilitate the management of a PSA or other written agreement and to provide required coding information, a PO should be prepared for the total cost of services. In that case, attach a copy of the PSA or agreement to the PO.

The full amount of the PO will be encumbered and, as invoices are paid, the encumbrance will be decreased each time an invoice is approved for payment. If sponsored agreement dollars are being charged, attach a copy of the PSA or agreement to every invoice submitted for payment. For all other funds being charged, a copy of the PSA or agreement should be attached to the first invoice; subsequent invoices may certify that a PSA or agreement has been executed and is on file in the department.

PO forms are available from Payment Solutions. The PSA approved by the Office of General Counsel is available at http://cohesion.rice.edu/CampusServices/HumanResources/ACT/emplibrary/2005-06-09_PSA_Std_Form_with_IP.doc. If the standard PSA is not used or modified in any way, send a copy to the Office of General Counsel for review prior to formalizing and signing the PSA. Once it is approved by the Office of General Counsel, the PSA can be signed by both parties.

A Professional Services Agreement (PSA) is preferred for professional services. Professional services include payments to:

- Consultants
- Architects
- Engineers
- Accountants
- Guest lecturers/Speakers

No University department may retain or use outside legal counsel without the approval of the General Counsel's Office.

NOTE REGARDING PROFESSIONAL SERVICE PAYMENTS:

The Internal Revenue Service (IRS) has stringent guidelines for determining whether an individual should be classified and treated as an employee or as an independent contractor.

The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not the means and methods of accomplishing the result. To determine whether an individual is an employee or an independent contractor under the common law, the relationship of the worker and the business must be examined.

For further information regarding determination of independent contractor status, contact the Director of Recruitment in Human Resources at ext. 6717.

COMPLETING AND SUBMITTING A PURCHASE ORDER

The Purchase Order form should be fully completed and approved prior to issuing a purchasing commitment to the vendor. The current purchase order consists of a four part form (yellow, white, light blue, green). Alternatively, the on-line purchase order is available to users that attend training. Please contact the Training Coordinator at ext. 6715 to schedule this class.

| | |
|------------|---|
| Yellow | Main copy. Sent to Payment Solutions for processing. |
| White | Vendor copy. Sent directly to vendor by the department at the same time that the yellow copy is sent to Payment Solutions. |
| Light Blue | Department copy. |
| Green | Receiving copy. Original green copy is submitted with invoice for final payment. Photocopy of the green form is submitted with invoices representing partial payments. Hold this form within the department for use with submittal of invoices. |

PURCHASE ORDER FORM FIELDS

- **Vendor Name/Address:** The purchase order will be mailed to the vendor at the address noted on the PO. It is important that complete and accurate vendor addresses are supplied on the PO.
- **Date:** Date that the PO form is being completed.
- **Delivery Date:** Date goods are to be received in the department. Be as specific as possible. Avoid using *ASAP*, *Urgent* or *Immediately*. These instructions leave the actual date of delivery up to the vendor.
- **Attn: and Ship to:** Enter the campus address where the delivery should be made. The address should be in the following format:

Recipient's Full Name
 Dept. Name/Bldg. Name/Room #
 Rice University
 6100 Main Street
 Houston, TX 77005

- **Attn: and Mail Invoice to:** Enter the department address where the invoice should be sent. The address should be in the following format:

Recipient's Full Name
 Dept. Name/Bldg. Name/Room #
 Rice University
 6100 Main Street
 Houston, TX 77005

- **F.O.B** (Freight on Board): This is the point in time at which the customer (Rice) legally owns the merchandise. There are two F.O.B. options: Destination and Origin (also referred to as ship point).

Always try to negotiate F.O.B. Destination which refers to a Rice office, lab, etc. especially if the merchandise is fragile or expensive. If the item is damaged in transit, the vendor is responsible for the condition of the merchandise and must initiate any damage claims.

If the F.O.B. Point is Origin or Ship Point, the customer (Rice) owns the merchandise when it leaves the vendor's plant or warehouse and is responsible for filing damage claims against the carrier.

Delivery charges and method of payment should be determined when the order is placed. The vendor may pay transportation and insurance directly to the carrier and this method is called F.O.B. Pre-Pay and Add. Please itemize these charges on your invoice.

- **Carrier:** Enter the name of the carrier agreed upon with the vendor (if applicable).
- **Terms:** Note any special payment terms agreed to with the vendor.
- **Buyer Contact Name:** Enter the name of the person coordinating the purchase. This is helpful if Payment Solutions or others have questions regarding the document.
- **Buyer Phone:** Enter the phone number of the person making the purchase for any questions regarding the purchase that the vendor may have.
- **Items to be purchased:** Note exact order information below the description: quantity, unit (per), price and total. The vendor will fill the order from this information.
- **Confirming Order Only:** To avoid duplicate shipments, a purchase order should indicate whether the order is confirming (the order has already been placed with the vendor by phone, by fax or in person) or the order is original (the purchase order is the only vehicle used to transmit the order to the vendor).
- **Remarks:** This area is for the department to make any helpful remarks for internal processors or reviewers or the vendor.
- **FOAPAL (Fund/Org/Account/Program/Activity/Location) Codes:** Enter the fund, organization and account codes to charge the commitment to. Enter the total amount to be committed for each accounting line. Before completing the form, check to make sure that the accounting lines equal the total purchase price. If coded as a capital asset (75XXX) attach a [Property Control Registration Form](#) providing all currently known information on the form. This form is available from Property Accounting (ext. 3428).

To record cost sharing on a sponsored agreement fund, enter "IDR2" for the program code and enter the sponsored agreement fund number for the location code.

- **Final/Partial Payment:** If a partial payment or a final payment is to be made at the same time the initial PO is being committed, check the appropriate box.
- **Component:** If this purchase will be a component of existing University equipment, check this box and enter the purchase order number and/or the asset tag number of the existing equipment.
- **Approval Signatures:** The person initiating and coordinating the purchase should sign in the "requisitioned by" box. This person does not have to be an authorized University signer/approver.
An authorized University signer/approver must sign in the authorized signature box. If the purchase order is being committed to more than one fund/org, an authorized signer for each fund/org must sign. Use the "co-signature" box if extra space is needed.

If the purchase order is being committed to a sponsored agreement fund (RXXXXX), the Principal Investigator or his/her authorized designee must also sign in this area.

PURCHASE ORDER ROUTING: Once the purchase order is completed and approved, the department copy (light blue) and the receiving copy (green) should be held in the department.

The vendor copy (white) should be sent by the department to the vendor (either by mail or by fax).

The completed and approved yellow copy (Payment Solutions copy) along with any needed documentation (bids, procurement briefs, property control forms, etc.) should be sent to Payment Solutions for data entry into Banner.

When received within Payment Solutions:

- (1) The purchase order will be entered into the Banner system.
- (2) Banner auto routes the document to the appropriate approval queues as necessary (e.g. , professional services that may require tax reporting) and
- (3) Banner encumbers department funds for the amount of the purchase order.

For further information on special requirements for purchase orders charged to a sponsored agreement fund (RXXXXX) or a property account code (75XXX or 76XXX), please refer to the Research Accounting section ([Section 11](#)) and the Property Accounting section ([Section12](#)).

CHANGE ORDERS: To make changes in amount (greater than 10% of the total purchase order amount) or coding of a committed purchase order, a change order request should be submitted to Payment Solutions. The request should be submitted in writing and include details regarding the specific changes to be made. The change order request must be signed by an authorized signer.

Section 6 – Receiving Goods

A. Inspecting Received Goods

It is the responsibility of the individual department to immediately inspect shipments, and in the case of any problems, to follow the procedures noted below to correct the problem. For purchases equal to or greater than \$5,000, receipt of goods and services must be performed and acknowledged by a Rice employee other than the employee that authorized the purchase. For purchases less than \$5,000, it is desirable that receipt of goods and services be performed and acknowledged by a Rice employee other than the employee who authorized the purchase.

When goods are received, it is important to verify that the department is receiving exactly what was ordered and that the goods are not damaged or defective.

B. Damaged Goods

If damaged goods are received:

- Insist that the delivery person note the damage on both the department copy and their copy of the freight bill, and

- Save all packing material.

If damage is not discovered until after delivery:

- Hold the goods and the packing material for the carrier's inspection. (Claims may be declined if packing materials as well as damaged goods are not available for inspection)
- Contact the delivery carrier immediately. Typically, concealed damage (damage not immediately apparent) must be reported to the delivery carrier within ten business days after date of delivery.
- After inspection by the carrier, the carrier will issue a concealed damage report to the department.

To collect reimbursement for damage, the carrier must be given the following documents by the department:

- Claim form, properly completed, noting in detail the amount of the claim (blank claim forms are available directly from the carrier).
- Original freight bill with notation of damage, or original freight bill with concealed damage report attached.
- Original bill of lading and original invoice.

C. Short or Partial Deliveries

For short deliveries (deliveries that do not include all ordered items):

- Insist that the delivery person note the shortage on both the department copy and their copy of the freight bill.
- Wait three business days for delivery of the missing items. If not received within three business days, contact the vendor directly to follow up on shipment arrangements.

Section 7 – Paying for Purchases

A. Importance of Paying on Time

Timely payment of vendor invoices is very important. Vendor relationships, and in turn Rice's financial reputation, can be damaged by failure to pay for goods and services on time. A late payment on the part of an individual department can cause the entire University to be placed on credit hold.

When Rice is placed on credit hold by a vendor, no orders can be placed or released until all past due accounts are paid in full. It is crucial that invoices be reviewed and approved as quickly as possible.

Responsive handling of invoices allows departments to take advantage of vendor discounts.

Employees may request reimbursement for some types of expenses incurred on behalf of Rice. Reimbursement requests must be submitted no later than one year after the expenditure. In extraordinary circumstances, reimbursement requests older than one year

may be submitted; these requests *always* require approval of the Dean/VP. Older reimbursement requests may not be approved for processing.

For the process to be a success, the following procedures should be followed.

B. Payment Documents

A critical component of the payment process is having a single original documented request for payment prepared by the vendor or service provider. Outside vendors should prepare and submit an invoice with details or documentation supporting the charge that provides at a minimum, the following information:

- (1) Vendor name and address
- (2) Date(s) of the charge/services
- (3) Amount to be paid
- (4) Description of the expense to be paid

Vendors sometime submit a duplicate invoice due to payment timing. For example, the check may not have been received or the charge was paid with a purchasing card. Regardless of the payment mechanism (purchasing card or non-purchasing card), the department is responsible for verifying only one payment is remitted.

Vendors and individuals must be paid directly by Rice. It is not allowable for an employee to pay a vendor and subsequently request reimbursement from Rice for that payment.

If an approved payment request is for travel, business meetings or entertainment, additional information is *always* required. Regardless of the reimbursement mechanism used (e.g. Mileage or Petty Cash forms) dates, attendees and business purpose must be documented. Please see the [Business Meeting and Entertainment](#) or [Travel Policy](#) and related [procedures](#) for more details.

C. Invoice Definition and Need for Original Invoices

What is an invoice? An invoice is an itemized list of ordered and delivered goods specifying the price and the terms of sale. To be considered an invoice, the word “invoice” must appear on the document and the document must contain a unique “invoice” number or invoice date. Other documents such as packing slips, quotations, renewal notices, etc. are not invoices and cannot be used as a payment document.

The department should make every attempt to receive an actual original invoice from the vendor for payment. Invoices, when available, must be submitted instead of check requests. For payment, the invoice number is input into the system in order to prevent potential duplicate payments. If the vendor does not issue invoices, a check request form should be completed and a copy of the non-invoice document should be attached for payment. For further details, see [Section 8](#).

Are copies/faxes of invoices acceptable? Original invoices should be submitted for payment rather than photocopies or facsimiles of invoices. This is a standard accounting practice and helps maintain necessary checks and balances against double payments and fraud.

If it is necessary for a department to pay from a photocopy or a facsimile of an invoice due to misplaced or lost invoices, the department should follow the procedures noted below:

- Check to make sure that the original has not already been submitted for payment.
- Write or stamp on the photocopy/facsimile the phrase “Substitute for Original” or note the reason why a non-original document is being submitted (e.g., misplaced original, copy sent by vendor, etc.) **and** initial or sign next to the statement.

Multiple Page Invoices. The entire invoice must be submitted for payment, including any detail or backup pages. The page that contains the amount to be paid should be flagged with the payment amount highlighted. For example, many telephone invoices consist of more than one page. Submitting only the cover page of the invoice is not acceptable.

D. Payment for Purchases Totaling Less than \$5,000

Payments for purchases totaling less than \$5,000 should be made with the Rice University Purchasing Card whenever possible. When the purchasing card cannot be used to make payment, the procedures noted below should be followed.

- The original invoice should be reviewed for accuracy and then coded, approved and sent to Payment Solutions for processing. If an invoice amount to be paid is changed, be sure to strike through all incorrect invoice amounts. Initialing any changes made to the invoice is also helpful.
- An authorized signer (as defined on a Rice signature authorization form) must approve and sign the invoice. When approving the invoice, the signature must clearly indicate the amount to be paid and the fund/org/account to be charged.

NOTE:

If a purchase is not expected to be \$5,000 or greater, but the invoice amount exceeds \$5,000 due to an unexpected increase in freight or shipping charges, a brief explanation should be attached to the invoice instead of issuing a purchase order.

E. Payment of Invoices for Purchases Equal to or Greater than \$5,000

As noted in [section 5, item B](#), purchases of \$5,000 or greater require a purchase order (unless the department has a written maintenance agreement or a professional services agreement on file within the individual department). Purchase Orders coded to 75XXX require a partially completed [Property Control Registration Form](#).

Partial Payments/Multiple Shipments: In many instances partial shipments are received and the department will receive invoices reflecting the partial shipment. In order to pay the vendor in a timely manner, those invoices should be submitted for payment when received and **should not** be held within the department until all invoices are received on a single purchase order.

As the invoices are received, the original invoice along with a photocopy of the green receiving form should be submitted to Payment Solutions at MS 77.

On the **copy** of the receiving form, the department is responsible for:

- checking the box indicating partial payment as well as noting the correct amount to be paid against each funding line.
- indicating the asset number previously assigned and communicated by Property Accounting on all subsequent receiving forms/invoices if a Rice asset number was assigned to the initial purchase or payment.
- having the receiver of the goods sign and date the form in the 'Received By' box.

The steps above are especially important when purchasing items with component pieces that may have multiple asset tags. Please contact patj@rice.edu with any questions.

Final Payment/Final Shipment: When the invoice for final shipment is received by the department, the original invoice along with the original green receiving form should be submitted to Payment Solutions, MS 77.

On the **green** receiving form, the department must:

- check the box indicating final payment,
- note the correct amount to be paid against each funding line (fund/org/account), and
- have the receiver of goods sign and date the form in the "received by" box (see note below).

By signing a partial or final receiving form that is attached to an approved invoice, the receiver is indicating that:

- the original invoice (not a copy or facsimile of the invoice) is being submitted,
- the invoice is accurate and the goods noted on the invoice have been received in suitable condition,
- any required installation or testing of equipment has been adequately performed, and
- Texas sales tax is not being charged.

NOTE REGARDING RECEIVING SIGNATURE:

The receiver of goods **does not** have to be authorized to receive since the commitment of funds was previously authorized on the original purchase order (yellow copy) by an authorized signer. Please refer to [Section 3](#) for signature authorization details.

Invoice Overages. On occasion, the total amount due will be greater than the original purchase order amount. When this occurs, the difference will be paid if it is less than 10% of the total purchase order amount. In all other situations, the invoice will be referred to the appropriate department personnel for resolution and payment authorization.

Maintenance Agreement/Professional Service Payments: Payment of maintenance agreement and professional service invoices should follow the same method for invoice payment noted in this [section, Item C](#), provided a written and signed contract exists within the department for the maintenance agreement or professional service.

F. New Vendor Setup

- All new vendors (vendors not paid by Rice in the past) must be verified and entered into the Banner financial system by Disbursements prior to a transaction being processed and a check being issued to the specific vendor.
- Verification of new vendors is an important control measure and *may take a few days*. *Departments should inform the vendor that, if they have not previously done business with Rice, certain information will be required before payment can be issued*. This information that is submitted with the payment request in order to set up the new vendor includes the vendor address, social security number or taxpayer ID number, and type of business (corporation, partnership, sole proprietorship, type of Limited Liability Company, etc.). The new vendor may contact Disbursements (ext. 4812) to request a new vendor qualification form (VQF) to expedite the first payment. Ideally, the VQF should be completed prior to the first payment and it **must** be completed before subsequent payments are made.
- The department should attach the completed IRS W-9 to the payment request. The IRS W-9 requests various information including the vendor's name, address, type of business, as well as an acknowledgement whether back up withholding is/is not necessary.
- Disbursements can also mail, fax or email this W-9 form to the vendor. *By law, Rice is required by the IRS to withhold taxes on future payments at the applicable rate*. These taxes, known as backup withholding, amount to 28% of the vendor's payment. Thus, the amount paid to the vendor will be reduced by the backup withholding taxes deposited with the IRS by Rice.
- Departments should be aware that payments to new vendors may be delayed until vendors can be verified and set up within the Banner system.

G. Payments Due in Foreign Currency

Rice normally issues payments preferably in United States (U.S.) dollars. Payments in foreign currencies require more time to be processed. The time varies depending upon the foreign country.

Department responsibilities include:

- Determining if the purchasing card may be used for payment.
- Documenting that the payee has been asked if they will accept a U.S. dollar payment.
- At the top of the payment request, please write "foreign currency payment required". For invoices showing the amount due in a currency other than U.S. dollars, the individual department is responsible for converting the currency (based on rates applicable at the time of invoice submission to Payment Solutions) to an equivalency in U.S. dollars.
- Documentation of conversion must be attached to the submitted invoice. Conversion can easily be done via a web-based conversion site. Several conversion sites are noted under "[Online Resources/References](#)" on the Payment Solutions website.

H. Electronic Payments (wire transfers or ACH transactions)

1. Vendors

Under certain circumstances, it is necessary for a department to request a payment to a vendor be made by wire transfer.

Due to the time involved and the complexity of the transaction, wire transfers are discouraged unless no other payment method will suffice.

The University is charged a transaction fee by the bank for each wire transfer. This fee will be passed on to the requesting department.

To initiate a wire transfer, the following steps should be followed:

- Personnel within the department requesting payment should contact the vendor and ask them to provide specific details in writing regarding wiring instructions.
- At the top of the payment request, the coded/approved document should clearly state "WIRE TRANSFER REQUEST". For U.S. wires, the document must include all bank and account name(s), along with bank routing and account numbers to be completed. For payments involving foreign banks, vendors are required to include complete wiring instructions from their bank. Appropriate backup should be submitted to Payment Solutions. The document should also include information on who in the department should be contacted if further information is needed. The transaction fee will be charged to the same fund/org as the payment request unless otherwise indicated.
- Payment Solutions will verify signature authority on the document and forward it to the Treasurer's Office.
- The Treasurer's Office will process the wire transfer and inform the appropriate department personnel when the process is complete.

2. Employees

Employees are encouraged to receive expense reimbursements via direct deposit payments. Electronic reimbursements are more efficient for both the employee and Rice.

New employees may select this option by completing the direct deposit enrollment form available from the Payroll Office. Other employees may contact Disbursements by sending an email to disbmt@rice.edu to request this feature. An enrollment form and further instructions from Disbursements will follow upon making this request. A void check must be included with the form in order to verify the banking information. For security reasons, *please do not include banking instructions in an email message.* Any questions regarding this program should be directed to Disbursements by sending an email to disbmt@rice.edu.

Section 8 – Paying for Non-Invoiced Expenses

Noted below are the two ways to pay vendors for expenses **that cannot be paid for with a purchasing card or by an approved vendor invoice.** (For payments to faculty, staff or students, see [Section 9.](#))

A. Petty Cash

- Petty cash should be used to pay for small dollar purchases (equal to or less than \$100) that **cannot** be paid with a Purchasing Card.
- Petty Cash Vouchers are available from the Cashier's Office.
- Each department, with the written approval of the Department Chair or Head, is authorized to obtain a petty cash fund, normally not to exceed \$200. Replenishment of departmental petty cash funds should be requested on a Petty Cash Voucher form submitted to the Cashier's Office in person.

B. Check Request Forms

Check Request Forms (CQ's) are available from Payment Solutions. Alternatively, the on-line check request is available to users that attend training. Please contact the Training Coordinator at ext. 6715 to schedule this class.

Appropriate backup documentation supporting the expense must be attached to all check requests. Check requests submitted without backup may be delayed until documentation is provided.

Any special handling requirements should be clearly explained in the "remarks" section of the Check Request Form. If nothing is noted in the "remarks" section, the check will be mailed to the address noted with no special handling.

If documentation is to be sent along with the check, please include a copy of that documentation along with the originals. The original will be sent with the check, and the copy will be filed with the Check Request Form. A request to send attachments with a check should be made only when it is absolutely necessary.

Check Request Forms should be used:

- When a vendor will not submit an invoice nor accepts the purchasing card.
- When a vendor cannot, or will not, deliver the goods or services and then invoice the department directly.
- To request payment of honorarium or refunds to non-Rice faculty/staff/students.

A social security number is required for any **U.S. resident** receiving payment. Honoraria may be paid to a U.S. resident without withholding of federal income tax provided an IRS W-9 form is completed and returned to the Disbursement Office prior to or with the payment request; however, IRS Form 1099 which reports amounts paid will still be prepared and mailed at the end of the calendar year.

NOTE REGARDING PAYMENT TO FOREIGN NATIONALS:

It is important to plan ahead when you are aware of an upcoming visit by a foreign national. The Office of International Students & Scholars should be contacted as soon as possible. They can assist in obtaining the proper visa and making the payment process as smooth as possible. For more details, see [the Office of International Students and Scholars web page](#) regarding administrative procedures. In particular, please refer to the document “Procedures for Inviting a One-Time Visitor” available at <http://www.ruf.rice.edu/~ois/docs/onetimevisitor.pdf>.

C. Travel Statements and Business Meeting/Entertainment Expense Forms

For information regarding payment or reimbursement of travel, business meeting or entertainment expenses, see the Payment Solutions’ [Travel Policy Procedures](#) and [Business Meeting/Entertainment Expense Policy Procedures](#). These procedure documents are available on the Payment Solutions website.

Section 9 – Payments to Faculty, Staff and Students

A. Reimbursement for “Out of Pocket” Expenses (not related to Travel, Business Meetings or Entertainment)

Ideally, a purchasing card should be used to pay for incidental office expenses. In situations where a purchasing card was either not accepted by the vendor or a purchasing card was not available to the purchaser, there are two ways to directly reimburse Rice faculty, staff or students for “out of pocket” expenses:

Petty Cash (for reimbursement equal to or less than \$100)

- For expenses equal to or less than \$100, reimbursement should be made from petty cash funds. Petty cash vouchers are available from the Cashier’s Office.
- Each department, with the written approval of the Department Chair or Head, is authorized to obtain a petty cash fund, normally not to exceed \$200. Replenishment of departmental petty cash funds should be requested on a Petty Cash Voucher form submitted to the Cashier’s Office in person.
- If a department does not maintain a petty cash fund within the department, a Petty Cash Voucher form should be completed and submitted directly to the Cashier’s Office.
- Original receipts must be attached and the form must be approved by an authorized signer.

NOTE:

The person receiving the money directly from the Cashier’s Office must be other than the individual who authorized the Petty Cash Voucher Form.

Check Request Form – CQ (for reimbursement greater than \$100)

- For reimbursement of expenses greater than \$100, a check request form should be completed and original receipts documenting the expenses should be attached. Check request forms should be submitted to Payment Solutions for processing.

NOTE:
Always note on the check request form the applicable employee or student number (E# or S#).

- **Required approvals.** It is important to note that the required approvals for reimbursements to an individual follow different guidelines than required approvals for paying invoices directly.

When reimbursing individual Rice faculty, staff or students, the individual requesting reimbursement may not approve his/her own request.

Approval for reimbursement must be approved by:

- The Principal Investigator (PI), or designee, if sponsored agreement funds are being charged, AND
- The appropriate person as noted in the chart below.

Note: The approver may never directly or indirectly report to the individual for whom the expense is incurred.

| Expense Incurred on behalf of: | Approval by: |
|---|--|
| <i>Department faculty/staff or students including Principal Investigators</i> | <i>Department Chair/Head or designee*</i> |
| <i>Department Chair/Head or Director</i> | <i>Dean or Division Head or designee*</i> |
| <i>Deans and Administrators reporting to the Provost</i> | <i>Provost or designee*</i> |
| <i>Provost, Vice Presidents and Administrators reporting to the President</i> | <i>President or designee*</i> |
| <i>Vice-President for Investments and Treasurer</i> | <i>Controller</i> |
| <i>President's Office</i> | <i>Vice-President for Investments and Treasurer or designee*</i> |

*as defined on the Rice University Signature Authorization Form

B. Reimbursement for Mileage Expenses

Rice employees may be reimbursed for mileage on their personal vehicles that is incurred while performing official University business. Mileage reimbursements may be requested for round trips in excess of five miles provided that the employee provides the following information:

- the **date** of the incurred mileage,
- a clear and precise **business purpose** of the trip, and

- the beginning and end points of the trip.

NOTE REGARDING CALCULATION OF MILEAGE:

Mileage should be calculated based upon the shorter distance that the trip takes starting from either the official work site (i.e., Rice University) or the employee's residence.

Reimbursement is based on the Internal Revenue Service's standard mileage rate. Rates are changed from time to time, and an employee must use the mileage rate in effect at the time mileage is incurred. The [current mileage rate](#) is posted on the Payment Solutions website.

Note; The IRS has separate mileage reimbursement rates for relocation. See [Section C](#).

To receive reimbursement for mileage over \$100, a mileage voucher form (available from Payment Solutions) should be completed, approved and submitted to Payment Solutions, MS77. Approved mileage vouchers equal to or less than \$100 should be submitted to the Cashier's Office for reimbursement. Mileage associated with travel should be submitted on a travel form to avoid possible duplication.

Approval requirements for Mileage Voucher forms are the same as for other direct reimbursements to Rice employees (see the approval chart).

C. Reimbursement for Relocation Expenses

Relocation of faculty and staff is funded by the Dean's Office and/or the department. Reimbursements are made by preparing and submitting a relocation expense form with appropriate receipts.

In some instances, Disbursements and [Human Resources](#) will assist the individual in making arrangements for direct billing to the University for moving van lines.

The department should inform the employee that certain aspects of relocation reimbursements have income tax consequences. The reporting of relocation reimbursements is done on a calendar year basis and will be reflected on the employee's W-2 form in the appropriate boxes. Certain reimbursements are considered by the IRS as taxable income subject to withholding while other reimbursements are reportable but are not taxable. Generally, reimbursements paid directly to the employee for costs incurred in relocating household goods and reasonable lodging costs are reportable but are not considered taxable income.

Automobile mileage reimbursed at the IRS rate is reportable but nontaxable. *Costs reimbursed for house hunting trips and all meals are considered as taxable income subject to withholding on the last pay cycle of the calendar year.*

[Current IRS relocation mileage reimbursement rates](#) are available on the Controller's Office website.

NOTE:

The IRS relocation mileage reimbursement is not the same as the standard mileage rate allowed for University travel.

For any questions relating to taxation issues on relocation reimbursements, contact Disbursements (ext. 4812) or the Assistant Controller – Disbursements (ext. 4004).

D. Payment of Prizes, Awards or Scholarships to Students

Please refer to the [Student Financial Services](#) website for details when processing payments to Rice students for prizes, awards or scholarships.

Prizes, awards or scholarships from Rice University to a student should be:

- Requested on a paper Check Request form, and
- **Submitted to Student Financial Services (SFS).** *(SFS must approve the payment in accordance with the Department of Education's Title IV Financial Aid Regulation restrictions.)*

For currently enrolled students, SFS will forward the Check Request to the Cashier's Office for payment through the student receivable system.

For former students, SFS will forward the check request to Payment Solutions for processing.

E. Payment for Services Rendered

1. Employees

A Personnel Action Form (PAF) must be completed for a payment to a Rice employee for services rendered or a one time payment for a special project.

Contact Human Resources (ext. 2514) for further details.

NOTE:

If the staff member is employed at Rice in a non-exempt position, the department should contact Human Resources prior to assigning the employee to a secondary position that may require overtime compensation.

2. Individual Students

Students often render services for various Rice departments. In addition to traditional departmental jobs, students often provide one time services such as providing music for a reception, wait-staffing at campus events, etc. Whether the job is a traditional departmental job or a one time pay event, *request for payment should be submitted on a student personnel action form and sent to Student Financial Services.* Student Financial Services will review the request for payment and forward the document to the Payroll Office for processing.

3. Student Groups

Groups of Rice students will often provide entertainment at various campus events. Unless the group has an official tax identification number, payment must be made individually as noted in item 2 above.

- If the group has an official tax identification number, the group will be paid in the same manner as other outside vendors are paid (see [Section 7](#) and [Section 8](#)).
- For payment to a group (without an official tax identification number) consisting of Rice students and non-Rice students, the Rice students will be paid through Student Financial Services/Payroll Office as noted above. The non-Rice students should be paid by submitting a completed and approved check request to Payment Solutions (see [section 8](#)). Payments to the non-Rice students will be tagged for 1099 reporting at the end of the year. Therefore it is mandatory to include an [IRS W-9 form](#) for the non-Rice payee.

Section 10 – Post Payment Issues

This section covers the most common issues that occur after a check has been printed for payment to an individual or a vendor. Most post payment issues are handled by Disbursements.

A. Stop Payment

Occasionally, a check that has been issued and mailed must be cancelled. A “stop payment” is an action initiated by the department to Disbursements to cancel the check. When this occurs, Rice is charged a transaction fee per cancelled check. Once a “stop payment” has been issued by the bank, the check will not be honored by Rice’s bank if presented.

To request a “stop payment” action on a check, send an email to Disbursements (disbmt@rice.edu) with the following information:

- Check number
- Payee’s name and address
- Amount of check
- Reason for requesting a “stop payment”
- Extension (if the department is to pick up the replacement check)

Note: Please include whether or not a replacement check is needed.

Anytime a “stop payment” is requested, the check must also be voided within Rice’s financial system (Banner). Disbursements will automatically void any check for which a “stop payment” has been issued.

B. Voiding a Check

A check can only be voided if the check has not yet been mailed. If a department needs to cancel a check, the department should immediately contact Disbursements (email disbmt@rice.edu) to determine if the check has been mailed and to void the check (no "stop payment" action is needed with the bank).

The same information detailed above at [section A](#) for stop payments is necessary for void checks. The check will also be voided in the Banner financial system.

C. Vendor Refunds/Credit Memos

Vendors occasionally have the need to either refund money or issue a credit memo to a department. It is preferable for the vendor to issue a refund check made payable to Rice University and mailed directly to the department. Please refer to the [Procedures for Handling Cash Receipts](#) at the Controller's Office website for further information.

Once the department has received a refund check, the following steps should be followed:

- A Deposit Voucher form (available from the Cashier's Office) should be completed indicating the correct fund/org/account codes to which the refund should be deposited. The refund should be deposited into the fund/org/account from which the original expense was paid.
- The Deposit Voucher form, the check and a copy of the check should be sent to the Cashier's Office (MS 55) for deposit. Copies of the Deposit Voucher form and the check should be kept within the department until the refund is recorded on the Banner financial system.

If a vendor issues a credit memo, the following steps should be followed:

- The credit memo should be coded by the department to the correct fund/org/account (exactly the same as an invoice) and approved by the appropriate department personnel.

NOTE: *If a vendor sends a credit memo directly to Payment Solutions, it will be forwarded to the appropriate department for coding and approval.*

- The approved credit memo should then be forwarded to Payment Solutions, MS 77 for entry into the Banner financial system.

Once a credit memo is entered into Banner, it is forwarded to Disbursements. Disbursements "holds" the credit memo until the credit is applied against incoming invoices from the same vendor, and then the credit memo is filed.

Note: *If a refund check is received from a vendor for a credit memo that has already been input into Banner, contact the Disbursements Group in the Controller's Office (disbmt@rice.edu) for processing details.*

It is important for departments to exhaust any outstanding credit memos with the vendor as soon as possible. Credit memos that remain outstanding for more than (3) three years will be charged back to the department that was originally credited.

D. Change in Original Transaction Coding (Fund/Org/Account)

If the department requesting payment decides the original coding should be changed to a different fund, org, and account combination after the original document has been processed and paid, an Expense Transfer Form should be completed, approved and submitted to Current Fund Accounting, MS 70.

Expense Transfer Forms are available from the Controller's Office, MS 70.

Section 11 – Sponsored Agreement Procurement Procedures/Restrictions

The federal government has issued certain cost guidelines that not only apply to federal awards but also establish cost principles for overall university costs, including consistent treatment of like expenditures as direct or indirect costs and requiring that procedures be in place to ensure compliance with the cost principles. The federal guidelines include:

- Office of Management and Budget [\(OMB\) Circular A-21](#): Cost Principles for Educational Institutions,
- [OMB Circular A-110](#): Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations,
- [OMB Circular A-133](#): Audits of States, Local Governments, and Non-Profit Organizations,
- [Federal Acquisition Regulations](#) (FARs), generally applicable to contracts only, and
- Individual agency guidelines and contract/grant terms.

[University policies and procedures](#) (e.g., travel, equipment, purchasing, and service centers) incorporate these guidelines and address other sponsor requirements as needed.

Purchases made from sponsored agreement funds (RXXXXX) for goods and services must be in accordance with the terms and conditions of the specific award as well as [University policies and procedures](#). All purchases must have a clear relationship and benefit to the specific grant/contract being charged. The signature of the Principal Investigator (PI), or designee*, on non-labor costs payment requests (PO's, check requests, etc.) attests to the technical/project relationship of the expense to the award.

The terms and conditions of the award and the federal cost principles determine the allowability of specific costs; however, some costs are generally allowable only if they meet certain conditions, while other costs are generally unallowable.

A. Allowable Under Certain Conditions

In addition to complying with applicable [University policy and procedures](#), the following types of expenses *must meet certain other conditions/guidelines* to be allowable charges to sponsored agreement funds:

- *Administrative and Clerical Costs.* Charges to federal awards for certain administrative and clerical expenses (office supplies, postage, monthly telephone, and membership costs) are generally unallowable unless they meet the guidelines provided by [OMB Circular A-21](#). Contact Research Accounting (ext. 5170) for university guidelines on administrative and clerical salary/wage and other costs. Additionally, other sponsors, such as The Welch Foundation, also disallow office supply expenses.
- *Travel.* Sponsor restrictions (e.g., use of U.S. flag carriers is required on federally funded awards) may limit specific travel costs, or limit total travel costs to the approved budget, or require prior approvals for domestic and/or foreign travel. See the [Rice Travel Policy No. 806](#) (especially Appendix A, Research Agreements Travel Policy) and the terms and conditions of the award for additional information.
- *Capital assets.* In addition to the PO required by these procedures, capitalized items equal to or greater than \$5,000 charged to a sponsored agreement fund require a completed [procurement brief](#) (available from the OSR home page). Neither a PO nor a procurement brief is needed for the purchase of component parts under \$5,000 for an existing capitalized asset; however, the invoice must identify the original purchase by either tag # or PO #. See [Section 12](#) for additional information on capital related purchases.
- *General Purpose Computer Hardware and Software Under \$5,000.* These items include PC, mouse, zip drive, hardware and software upgrades, cables, new software, printers, fax machines, surge protectors, etc. and exclude supply items such as disks, toner, and printer cartridges. By approving invoices and other payments or charges for these general purpose items charged to federal awards the PI or designee* is certifying that the item(s) will be used (1) primarily for the *actual conduct of research on the project* and (2) not simply for report preparation. When such purchases are made by other than the PI or designee*, a [general purpose certification form](#) (available from the OSR home page) is to be completed and attached to the invoice. Other sponsors may also restrict costs related to general purpose computer purchases. See [section 12](#) for additional information on capital related purchases.
- *Consultants and Professional Services.* Providers of consulting and professional services are members of a particular profession or possess a special skill and render professional advice or services for a fee but not as employees of Rice. [Section 5, item B](#) discusses the requirements for written agreements for professional services and [section 8](#) discusses payments to foreign nationals. In addition to complying with these sections, certain other restrictions and requirements apply when charging consultants and professional services expenses to a sponsored agreement fund.

By requesting payments for consulting or professional services, the PI or designee* is attesting that: (1) the services are essential and cannot be provided by Rice employees; (2) a selection process has been employed to secure the most qualified person available; and (3) the fees are appropriate considering the qualifications of the provider, his/her normal charges, and the nature of the services.

* By signing on behalf of the PI, the designee is certifying that he/she has first-hand knowledge of the information being provided.

Please note that many federal awards limit consulting fees paid to individuals to a maximum daily rate. Contact Research Accounting (ext. 5170) for current rates. Charging federal awards for payments to federal employees for fees and/or expenses may be restricted by the sponsoring agency or unallowable under the terms of the award. Other sponsor provisions may also apply to payments for these services.

All payment documents for consultants and professional services charged to sponsored agreement funds must clearly describe the nature of the services provided and the basis of the rate of pay. The following documentation must be provided for consultant and professional services payments charged to sponsored agreement funds (the amounts are for the total to be paid under the agreement):

| | |
|------------------------------|--|
| Less than \$5,000 | Paid via check request or original invoice from provider. |
| Between \$5,000 and \$25,000 | Must have original invoice from provider (check requests without an invoice are not acceptable). If multiple payments are to be made, preparing a PO which incorporates the agreement may facilitate the documentation and payment processes. Attach copy of agreement to all payment requests processed without a PO. |
| \$25,000 and Over | Required bids and a copy of the agreement must be submitted to OSR for review. Payment must be via original invoice from the provider. If multiple payments are to be made, preparing a PO which incorporates the agreement and is supported by the bidding documents may facilitate the documentation and payment processes. Attach a copy of the agreement and bid documentation to all invoices processed without a PO. |

- *Maintenance Contract Costs.* Payments for maintenance contracts must be accompanied by a copy of the maintenance agreement. Sponsored agreement funds can pay only for maintenance costs applicable to the project period of the award being charged. Costs related to coverage outside the project period must be charged to another fund.

B. Unallowable Costs

The following types of expenses are *unallowable* as expenses on federal projects and most other awards:

- Entertainment
- Flowers and Gifts
- Office Morale Expenses
- Alcoholic Beverages

- Intramural Faculty/Staff Meeting Costs, including meals and refreshments
- Public Relations Costs, including Advertising and Lobbying Expenses
- Interest Expense and Fines, Penalties, and Late Fees
- Cost transfers to cover underspending or overspending on sponsored agreement funds

Please contact the Office of Sponsored Research (ext.4820) or Research Accounting (ext. 5170) for questions about specific items of cost on a sponsored agreement award.

Summary of Documents Required for Sponsored Agreement Charges

| | Account Code | PO? | Bids? | Procurement Brief? [1] | Comments |
|------------------------------|--------------|------------|--------------|------------------------|---|
| A. CAPITAL ASSETS | | | | | |
| Less than \$5,000 | | | | | |
| Component | 75XXX | No | No | No | Indicate asset tag # on invoice. |
| Non-Component | 70XXX | No | No | N/A | Note: a non-capitalized expense |
| Between \$5,000 and \$25,000 | 75XXX | Yes | No [3] | Yes | |
| \$25,000 and over | 75XXX | Yes | Yes | Yes | |
| B. NON-CAPITAL ASSETS | | PO? | Bids? | Agreement? | Comments |
| Maintenance Contracts | | | | | |
| Less than \$5,000 | | No | No | No | |
| Between \$5,000 and \$25,000 | | No [2] | No [3] | Yes | Attach a copy of agreement to invoice. |
| \$25,000 and over | | No [2] | Yes | Yes | Attach bid & agreement info to invoice. |
| Professional Services | | | | | |
| Less than \$5,000 | | No | No | No | Pay from CQ or invoice. Include full description of services. |
| Between \$5,000 and \$25,000 | | No [2] | No [3] | Yes | Pay from invoice. Include full description of services. |
| \$25,000 and over | | No [2] | Yes | Yes | Attach bids and agreement info to invoice. |
| Other Expenses | | | | | |
| Less than \$5,000 | | No | No | N/A | |
| Between \$5,000 and \$25,000 | | Yes | No [3] | N/A | |
| \$25,000 and over | | Yes | Yes | N/A | Forward bids and PO to Payment Solutions |

[1] The [procurement brief form](#) is available from the OSR home page. Forward completed form, PO, and other support to Payment Solutions for processing.

[2] A PO is not required. However, if multiple payments are to be made, preparing a PO which incorporates the agreement may facilitate the documentation and payment processes. Attach copy of agreement to all payment requests processed without a PO.

[3] Generally, federal grants do not require bids for purchases in this range. However, some non-federal sponsors and some federal contracts may require bids. Contact OSR or Research Accounting for specific requirements.

Section 12 – Property Accounting Acquisitions

Capitalized purchases are defined as non-expendable, tangible personal property which 1.) has a unit cost of \$5,000 or greater **and** 2) has an expected useful life of more than one year, **or** is a component part integrated into existing equipment meeting the conditions of items 1) and 2) above.

Capital assets are tracked within the fixed assets system by Rice asset numbers, serial numbers, etc. as provided on the Property Control Registration form by departments.

| Purchases | Account Code | Required Forms | | Comments |
|------------------------------------|-------------------------|----------------|------------------------------------|---|
| | | Purchase Order | Property Control Registration Form | |
| New Purchases \$5,000 or greater | 75XXX | Yes | Yes | |
| Components less than \$5,000 | 75XXX | No | Yes | Indicate primary asset # or PO# of primary asset |
| New purchases less than \$5,000.00 | 70XXX 71XXX 72XXX | No No No | No No No | Rice ID tags available upon request. |
| Fabrications | 75XXX | Yes | Yes | Initiate fabrication report with 1 st PO. Refer to fabrication # or PO# on ALL subsequent transactions. Dept. must notify Property Accounting when project is complete. Each fabrication MUST have a dedicated fund or funds. |
| Trade-Ins \$5,000 or greater | 75XXX | Yes | Yes | Use capital account and PO ONLY if the next expenditure, after deducting the trade-in is greater than \$5,000. Must indicate Rice ID# of trade-in or original PO# of trade-in on new PO. |
| Trade-Ins less than \$5,000 | 70XXX 71XXX 72XXX | No No No | No No No | |
| Expense transfers | 75XXX | No | Yes | |
| Journal Vouchers | 75XXX | No | Yes | Supply Rice asset # or original PO# |
| Departmental Transfers | 75XXX | No | Yes | Supply Rice asset # or original PO# |

For equipment purchases charged to sponsored agreement funds (RXXXXX), additional forms and support may be needed, see [section 11](#) for further details. For a complete listing of capital equipment account codes (75XXX), refer to the [Rice Web Account Code Information](#).

Additional information is available on the [University's policy web site](#). Refer to Policy No's. 831, 809, 331, 103 and 301.

Please contact Property Accounting at ext. 3428 or 3429 for questions or concerns regarding equipment acquisitions.

Section 13 – Special Purchasing/Billing Arrangements

The University has arranged for special purchasing and/or billing arrangements for various internal purchasing situations as well as for various preferred vendors.

A. Internal Purchasing/Billing Arrangements

In most situations where charges are billed between University departments, an interdepartmental transfer form (IDT) is completed and submitted to the Controller's Office (MS 70) for processing.

The exceptions are:

1. Cohen House/Faculty Club (ext. 4000)

When a departmental Faculty Club card is used for entertainment or business meeting expenses, the cardholder receives an email receipt. Complete the business purpose, attendees and other information requested, print and mail to the Controller's Office, MS70.

When a personal Faculty Club card is used for a business meeting, reimburse the individual via a Check Request or Petty Cash. When an individual uses a department card for personal purposes, sales tax is due on the transaction.

2. Mailroom/Delivery Services Expenses (ext. 4360)

Postage, bulk mail, copy paper and toner expenses (if purchased from Delivery Services) are billed electronically to Banner based on an approved file generated by Delivery Services. The fund/org noted on the ticket at time of product delivery will be charged. A monthly statement summarizing incurred expenses is distributed to all departments by Delivery Services.

3. Other "On Campus" Billings

Other "on campus" billings that are treated similarly to the procedures for mailroom/delivery services are:

- Facilities & Engineering Work Order Charges (ext. 5346)
- Chemistry Storeroom (ext. 3275)
- Chemistry Glass Shop (ext. 6215)
- Rice Catering (ext. 4084)
- Telecommunications (ext. 5555)
- Research Support Shop (ext. 4051)

B. Preferred Vendor Purchasing/Billing Arrangements

In almost all situations outside vendors are paid as noted in the procedures in [Section 7](#).

The exceptions at this time are:

1. OfficeMax Solutions (formerly Boise Cascade Office Supplies)

Purchases from OfficeMax can be paid for by purchasing card or by electronic billing. The payment method is the decision of the individual department, but departments are strongly encouraged to use the purchasing card. Verify that Texas sales tax is not being charged.

If the internal billing method is used, the purchaser will provide OfficeMax with a fund and org code for billing purposes at the time the order is placed. When products are delivered, the departmental receiver will sign the delivery ticket. Expenses are billed electronically to Banner based on a monthly file generated by OfficeMax.

Departments are responsible for reconciling Banner charges using the delivery tickets.

For questions regarding billing or set up of on an on-line account, contact Delivery Services (ext. 5826).

2. Federal Express (FedEx)

Department personnel access FedEx on-line. Charges are billed to the default/org coding established during set up. At the time the shipping label is generated, the department can overwrite the default coding with the appropriate fund/org account to be charged. Departmental expenses are uploaded into Banner on a semi-monthly basis via an electronic file. For questions regarding billing or set up of an on-line account, contact Delivery Services (ext. 5826).

Appendix – Helpful Web Links

- A. [Form Availability & Routing Instructions](#)
- B. [Payment Solutions Contact Information](#)
- C. [Texas Sales Tax Exemption Certificate](#)
- D. [Credit Information Form](#)
- E. [Hotel Occupancy Tax Exemption Form](#)
- F. [Chart of Accounts \(listed alphabetically\)](#)
- G. [Chart of Accounts \(listed numerically\)](#)
- H. [Purchasing Policy](#)
- I. [Purchasing Card User Manual](#)
- J. [Travel Policy](#)
- K. [Travel Procedures](#)
- L. [Business Meeting/Entertainment Expense Policy](#)
- M. [Business Meeting/Entertainment Expense Procedures](#)
- N. [Foreign National Payments](#)
- O. [Currency Conversion Links](#)
- P. [Texas Cooperative Purchasing Program](#)

Please direct questions and comments regarding this document to
Payment Solutions ext. 6700.

Purchasing, Travel and Business Meeting and Entertainment Policies and
Procedures can be found on the Payment Solutions website payment@rice.edu.

Purchase Orders, Mileage Vouchers, and Paper Check Request forms are located
in Payment Solutions, Allen Center, B12.